



DEPARTMENT OF HEALTH & HUMAN SERVICES

Centers for Medicare & Medicaid Services

JAN 16 2004

*Administrator*

Washington, DC 20201

Ms. Janet Olszewski  
Director, Department of Community Health  
State of Michigan  
Lewis Cass Building  
Lansing, MI 48913

Dear Ms. Olszewski:

We are pleased to inform you that your State Children's Health Insurance Program (SCHIP) demonstration application, entitled, "Michigan Adult Benefits Waiver," as modified by the Special Terms and Conditions (STCs) accompanying this award letter, has been approved as project number 21-W-00017-5. Approval is under the authority of section 1115 of the Social Security Act (the Act) and is effective as of the date of this award letter and for 5 years thereafter.

Michigan's request is being approved under the Administration's Health Insurance Flexibility and Accountability (HIFA) demonstration initiative. Under HIFA, this Administration puts a particular emphasis on broad, statewide coverage approaches like Michigan's that target Medicaid and SCHIP resources to populations with income below 200 percent of the Federal poverty level (FPL) and that also seek to maximize private health insurance coverage options.

The State proposed to use funds authorized under title XXI of the Act to provide coverage to uninsured adults with net family incomes at or below 35 percent of the FPL, who are not otherwise eligible for Medicaid or Medicare.

We believe this demonstration will achieve the purposes of title XXI by fostering a broader awareness of health care coverage in low-income communities, and by improving the overall health of low-income communities. In general, non-disabled adults are more likely to be uninsured than children. Even when these individuals are not parents, coverage of these individuals can improve child health. These individuals can become parents at a future point, and can be involved in decisions concerning children in the community. Because Michigan already covers the core SCHIP population of children up to 200 percent of the FPL and parents up to 133 percent of the FPL, we thus believe coverage of childless adults will positively affect overall coverage of children in the State. The demonstration includes protections to ensure that the State will maintain coverage of children under its approved State plan, and will protect funding for coverage of children over the course of the demonstration.

Enclosed are the special terms and conditions (STCs) that define State responsibilities and the nature, character, and extent of anticipated Federal involvement in the project. This award is subject to our receiving your written acceptance of the award and STCs within 30 days of the date of this letter.

All requirements of the SCHIP program expressed in law, regulation, and policy statement, not expressly waived or identified as not applicable in this letter, shall apply to the “Michigan Adult Benefits Waiver” demonstration. Federal funding for this demonstration is limited to, and will be deducted from, Michigan’s available SCHIP allotments under section 2104 of the Act. In addition, the requirements of the STCs shall apply to this demonstration.

### **Costs Not Otherwise Matchable Authority**

Under the authority of section 1115(a)(2) of the Act, the following expenditures that would not otherwise be regarded as expenditures under title XXI of the Act will be regarded as expenditures under the State’s title XXI plan:

Expenditures to provide coverage to uninsured adults ages 19-64 with net incomes at or below 35 percent of the FPL who are not otherwise eligible for Medicaid or Medicare.

### **SCHIP Requirements Under the Social Security Act Not Applicable to the Demonstration Population:**

1. General Requirements, Eligibility and Outreach

Section 2102

Section 2102(a) does not apply to the extent that it would require the state child health plan to reflect the demonstration population and eligibility standards do not have to be limited by general principles in section 2102(b). The State must perform eligibility screening to ensure that applicants for the demonstration population who are eligible for Medicaid are enrolled in that program and not in the demonstration population.

2. Restrictions on Coverage and Eligibility to Targeted Low-Income Children      Sections 2102, 2110

Sections 2102 and 2110 shall not apply to the extent that they would restrict coverage and eligibility for the demonstration population to targeted low- income children.

3. Cost Sharing

Section 2103(e)

Rules governing cost-sharing under section 2103(e) shall not apply to individuals in the demonstration population who elect to receive coverage through a private or employer-sponsored insurance plan, which may require cost sharing in excess of the SCHIP limits. In addition, these rules do not apply to the demonstration population to the extent necessary to allow the State to impose cost-sharing as specified in the Operational Protocol.

4. Benefit Package Requirements

Section 2103

Section 2103(a) shall not apply to the extent necessary to permit the State to offer a benefit package as specified in the Operational Protocol that does not meet the requirements of that section. In addition, these requirements shall not apply to individuals in the demonstration population who elect to receive coverage through a private or employer-sponsored insurance plan.

5. Federal Matching Payment and Family Coverage Limits

Section 2105

Section 2105(c) (2) shall not apply to the extent that it would limit federal matching payments for expenditures related to the demonstration population. Federal matching payments remain limited to the allotment determined under section 2104. Expenditures other than for coverage of the demonstration population remain limited in accordance with section 2105 (c)(2).

6. Annual Reporting Requirements

Section 2108

Annual reporting requirements under section 2108 do not apply to the demonstration population.

Congratulations on the approval of your innovative approach to expanding health insurance coverage. Your project officer is Ms. Angela Corbin. Ms. Corbin is available to answer any questions concerning implementation of your section 1115 demonstration and can be reached at 410-786-0620. Her address is:

Centers for Medicare & Medicaid Services  
Center for Medicaid and State Operations  
Mail Stop S2-01-16, 7500 Security Boulevard  
Baltimore, Maryland 21244-1850  
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Official communications regarding program matters should be sent simultaneously to the project officer and to Ms. Cheryl A. Harris, Associate Regional Administrator in our Chicago Regional Office. Ms. Harris' address is:

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Division of Medicaid and State Operations  
233 Michigan Avenue, Suite 600  
Chicago, Illinois 60601  
E-mail: [Charris@cms.hhs.gov](mailto:Charris@cms.hhs.gov)

We look forward to working with you and your staff.

Sincerely,

Dennis G. Smith  
Acting Administrator

Enclosure